

1 THIS DOCUMENT IS A DRAFT PROPOSAL FOR DISCUSSION PURPOSES, THE FINAL FORM OF
2 WHICH SHOULD MATERIALIZE ONLY AFTER ALL STAKEHOLDERS AGREE ON THE
3 PROCEDURES WITHIN.
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6 Note: *This draft of the RGQ Procedures includes revisions based on comments received*
7 *during Retail Quadrants meetings of January 17 and 29 and February 20 and the*
8 *conference calls of January 22 and February 26.*
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11 NORTH AMERICAN ENERGY STANDARDS BOARD

12 BYLAWS ADDENDUM

13 EXHIBIT 3

14 RETAIL GAS QUADRANT PROCEDURES

15 **1 - DEFINITIONS**

16 **Section 1.1 Definitions Included in the NAESB Bylaws**

17 Capitalized terms, when used in this Exhibit to the NAESB Bylaws, shall have the meanings set
18 forth in Section 1.1 of the NAESB Bylaws.

19 **Section 1.2 Definitions for the Purposes of this Exhibit**

20 The following terms have not been defined in Section 1.1 of the NAESB Bylaws and when used
21 in this Exhibit, shall have the meanings set forth below:

- 22 A. “RGQ” means the Retail Gas Quadrant of NAESB.
- 23 B. “RGQ Designated Alternate” is defined as a person named by a Segment of the Retail Gas
24 Quadrant Segment, submitted to the NAESB office, to serve in place of a RGQ EC Member
25 who is unable to attend an EC meeting.
- 26 C. “RGQ EC” means the Executive Committee of the Retail Gas Quadrant of NAESB.
- 27 D. “RGQ EC Subcommittee” means a subcommittee established by the Executive Committee of
28 the Retail Gas Quadrant of NAESB.
- 29 E. “RGQ Members” means Voting Members of the Retail Gas Quadrant of NAESB that satisfy
30 the requirements of membership set forth in Section 5.1 and, if applicable, in the respective
31 Segment Procedures in this Exhibit.
- 32 F. “RGQ Segment” means one of the four co-equal Segments of the Retail Gas Quadrant of
33 NAESB.

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35 **2 – PURPOSES, SCOPE, ACTIVITIES, AND POLICIES**

36 **Section 2.1 Purposes, Scope and Activities**

37 The purpose of the Retail Gas Quadrant (RGQ) of NAESB is to propose and adopt voluntary
38 model business practices or standards to promote more competitive, efficient and reliable service in the
39 retail natural gas industry. The Retail Gas Quadrant is concerned with and tasked to handle natural gas

40 related issues and practices that are within the scope of NAESB and typically addressed at the retail
41 natural gas distribution level. The Retail Gas Quadrant shall work closely with other NAESB Quadrants
42 to mitigate inconsistencies where proposed standards and model business practices affect those other
43 Quadrants.

44 **Section 2.2 Policies**

45 The Retail Gas Quadrant shall comply with the policies and procedures laid out in the bylaws
46 and the certificate of incorporation of NAESB. Further, the Retail Gas Quadrant intends to operate in
47 conformance with the principles of the umbrella organization, as established in Section 2.2 (b) of the
48 NAESB Bylaws and in compliance with ANSI guidelines. As such, the Retail Gas Quadrant encourages
49 a widely based membership and has identified Segments, which reflect this principle of inclusiveness.
50 Also consistent with this approach, the Retail Gas Quadrant shall ensure that all meetings, including
51 those of its Members, Executive Committee (EC), and Subcommittees and Task Forces, shall be open to
52 all persons and that all minutes thereof shall be available to the public.

53 **Section 2.3 RGQ Segments**

54 What follows is a description of the Retail Gas Quadrant organizational structure, including a
55 listing of RGQ Segments.

Suppliers: Persons engaged in the competitive sale of natural gas and/or capacity,
including marketers , aggregators, producers, asset managers and pipelines.

Distributors: Persons engaged in the local distribution of natural gas.

End Users: Persons that consume natural gas or represent consumers of natural gas.

Service Providers: Persons that provide services to the participants in the retail natural gas
industry, including equipment manufacturers, equipment and service
vendors, software providers, energy consultants, and other companies not
otherwise declared in any other Segment.

56 Each RGQ Segment shall have the flexibility to determine its own Segment rules and procedures
57 and to elect or select its own representatives to the NAESB Board and to the RGQ EC, as long as those
58 rules and procedures conform with NAESB Bylaws and the Retail Gas Quadrant procedures in this

59 Exhibit.

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5 – RGQ MEMBERS

Section 5.1 Voting Members

67 The definition of Membership applies to all RGQ Segments. RGQ Members are persons with
68 legitimate business interest¹ in the retail natural gas market and which meet the definitions of one of the
69 four RGQ Segments. Upon applying for Voting Membership (as described in NAESB Bylaws Sections
70 1.1 and 5.1), each prospective RGQ Member shall declare the RGQ Segment with which they are to be
71 identified. Voting Membership in the Retail Gas Quadrant of NAESB shall be open to all persons that
72 meet all of the following requirements:

- 73 - The person has a legitimate business interest in the retail natural gas market (or is a
74 representative or Agent of such person), as determined by a simple majority of the Quadrant
75 Membership, if challenged.
- 76 - The person meets the description of one of the co-equal industry Segments identified by the
77 Retail Gas Quadrant of NAESB, as determined by a simple majority of the Segment
78 Membership, if challenged.
- 79 - The person has designated a representative who has the authority and willingness to

¹ “Legitimate business interest” in this section specifically includes the interests of statutorily appointed consumer advocates.

80 represent its interests.

81 - The person has declared its affiliation to one, and only one, of the RGQ Segments.

82 The RGQ Member may be a trade association or an advocacy group representing a group of
83 prospective members, provided that the trade association or advocacy group meets the requirements
84 defined by its declared Segment in Segment Procedures. Also only RGQ EC Members shall have the
85 right to vote to adopt model business practices or standards affecting only the Retail Gas Quadrant.

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87 6 – MEETINGS OF RGQ MEMBERS

88 All meetings held in association with the NAESB Retail Gas Quadrant shall be open to all
89 interested persons.

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91 7 – BOARD

92 **Section 7.1 RGQ Representatives to the NAESB Board**

93 The Retail Gas Quadrant shall have representatives to the NAESB Board of Directors, with each
94 RGQ Segment electing or selecting an equal number of these representatives, pursuant to the procedures
95 specified by the respective RGQ Segment in this Exhibit.

96 **Section 7.2 Qualifications of RGQ Directors**

97 To be eligible to serve as representative on the NAESB Board of Directors:

- 98 - The person must be a Member of the Retail Gas Quadrant;
- 99 - The person must be an executive of the organization represented, where applicable, and have
100 broad understanding of the natural gas industry;
- 101 - The person must have a working knowledge of the NAESB process;
- 102 - The person must be willing to commit the time and resources necessary to fulfill their
103 obligations as a NAESB Director and to meet the minimum threshold of participation and

- 104 attendance established in the NAESB Bylaws [Section 9.7 (f)];
- 105 - The person must disclose their interest, or their employer's interest, in the natural gas
- 106 industry and the relationship with other entities with which the employer may be affiliated;
- 107 and
- 108 - Once elected to serve as Director on the NAESB Board, the individual may hold not more
- 109 than one directorship, representing only one Segment within the Retail Gas Quadrant.

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111 **Section 7.3 Number and Election of Directors**

- 112 (a) The Retail Gas Quadrant of NAESB shall be represented on the NAESB Board of Directors
- 113 by twenty-four (24) persons who shall be elected, from time to time, as required by Article 7
- 114 of the NAESB Bylaws and in this Exhibit to those Bylaws. The NAESB office shall
- 115 coordinate the election process for the Retail Gas Quadrant representatives to the NAESB
- 116 Board during the second week of November of each year.
- 117 (b) The elections of RGQ representatives to the NAESB Board shall be subject to the following
- 118 provisions:
- 119 - Any RGQ Member who is current in the payment of its dues is eligible to vote; and
- 120 - The candidates receiving the greatest numbers of votes shall be elected.

121 **Section 7.4 Term of Office**

122 The initial Retail Gas Quadrant Directors on the NAESB Board shall be divided into two

123 groups within each RGQ Segment. Group A Directors shall serve for an initial term of three

124 years, while Group B Directors shall serve for an initial term of two years. Each RGQ Segment

125 shall have an equal number of Group A Directors and an equal number of Group B Directors.

126 Upon the completion of the initial terms of both groups of Directors, succeeding Directors shall

127 thereafter be elected for terms of three (3) years, consistent with NAESB Bylaws.

128 **Section 7.5 Vacancies**

129 A NAESB Director shall cease to be a Director upon 1) the resignation of the RGQ Membership
130 of the entity of which the Director is a partner, director, officer, or agent; 2) the lapse of the RGQ
131 Membership of the entity of which the Director is a partner, director, officer, agent or employee, through
132 delinquent NAESB dues for the RGQ Membership; or (3) the Director's resignation, removal, or death.

133 A Director vacancy shall be filled for the remainder of that term in accordance with the procedures
134 specified in the respective Segment Procedures in this Exhibit.

135 **Section 7.6 Removal of Directors**

136 Each RGQ Segment shall have the authority to remove a Director for cause. Prior to voting on
137 such resolution to remove a Director for cause, the RGQ Segment shall give the Director at least 30-day
138 notice of the proposed action and an opportunity to respond. A simple majority of the RGQ Segment
139 Membership shall be required to remove a Director.

140 **Section 7.7 Resignations**

141 A Director may resign his or her directorship by submitting a letter to the Secretary of NAESB,
142 stating that he or she is resigning and giving the effective date of the resignation.

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8 – RESERVED

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10 - EXECUTIVE COMMITTEE

149 **Section 10.1 Duties and Responsibilities**

150 The Retail Gas Quadrant shall have an Executive Committee (EC), which shall also participate in the
151 larger NAESB EC body, consisting of representatives from each RGQ Segment, with each RGQ Segment

152 electing an equal number of these RGQ EC Members, pursuant to procedures specified by the respective
153 Segment in this Exhibit. Only Voting Members of the Retail Gas Quadrant have the right to ratify model
154 business practices and standards that were adopted by the RGQ EC and that affect only the Retail Gas
155 Quadrant. No substitutes are permitted to vote at Retail Gas Quadrant meetings; however, an RGQ
156 Designated Alternate may vote at EC meetings in place of an absent RGQ EC Member from a given
157 RGQ Segment. An RGQ Designated Alternate holds identical voting rights as the RGQ EC Member in
158 whose place he or she serves, except for those matters on which the RGQ EC Member has already voted
159 by notational ballot prior to the beginning of the meeting.

160 **Section 10.2 RGQ EC Members**

161 (a) Number and Election of RGQ EC Members: The Retail Gas Quadrant of NAESB shall be
162 represented on the RGQ EC by twenty-four (24) persons who shall be elected, from time to
163 time, as required by Article 10 of the NAESB Bylaws and in this Exhibit to those Bylaws.
164 The NAESB office shall coordinate the election process for RGQ EC Members during the
165 second week of November of each year. The elections of RGQ EC Members shall be subject
166 to the following provisions:

- 167 - Any RGQ Member who is current in the payment of its dues is eligible to vote; and
- 168 - The candidates receiving the greatest numbers of votes shall be elected.

169 (b) Term of Office: The initial RGQ EC Members shall be divided into two groups within each
170 Segment. Group A RGQ EC Members shall serve for an initial term of three years, and
171 Group B RGQ EC Members shall serve for an initial term of two years. Each RGQ Segment
172 shall have an equal number of Group A RGQ EC Members and an equal number of Group B
173 RGQ EC Members. Upon the completion of the initial terms of both groups of RGQ EC
174 Members, succeeding RGQ EC Members shall thereafter be elected for terms of three years,
175 consistent with NAESB Bylaws.

176 (c) Qualifications of RGQ EC Members: To be eligible to serve as a RGQ EC Member:

- 177 - The person should have broad understanding of the natural gas industry and be at least a
178 functional manager of the organization represented;
- 179 - The person should have a working knowledge of the NAESB process;
- 180 - The person must be willing to commit the time and resources necessary to fulfill their
181 obligations as a RGQ EC Member and to meet the minimum threshold of participation
182 and attendance established in the NAESB Bylaws [Section 9.7 (f)]; and
- 183 - The person must disclose their interest, or their employer's interest, in the natural gas
184 industry and the relationship with other entities with which the employer may be
185 affiliated; and
- 186 - Once elected to serve as RGQ EC Member, the individual may hold not more than one
187 EC seat, representing only one Segment within the Retail Gas Quadrant.

188 (d) Vacancies: Vacancies in the RGQ EC may occur upon 1) the resignation of the RGQ
189 Membership of the entity of which the RGQ EC Member is a partner, director, officer, or
190 agent; 2) the lapse of the RGQ Membership of the entity of which the RGQ EC Member is a
191 partner, director, officer, agent or employee, through a delinquency in payment of NAESB
192 dues for the RGQ Membership; or (3) the RGQ EC Member's resignation, removal, or death.
193 An RGQ EC Member vacancy shall be filled for the remainder of that term in accordance
194 with the procedures specified by the respective Segment Procedures in this Exhibit.

195 (e) Removal of RGQ EC Members: Each RGQ Segment shall have the authority to remove an
196 RGQ EC Member for cause. Prior to voting on such resolution to remove an RGQ EC
197 Member for cause, the RGQ Segment shall give the RGQ EC Member at least 30-day notice
198 of the proposed action and the opportunity to respond. A simple majority of the RGQ
199 Segment Membership shall be required to remove an RGQ EC Member.

200 (f) Resignations: A RGQ EC Member may resign from the RGQ EC by submitting a letter to
201 the Secretary of NAESB, stating that he or she is resigning and giving the effective date of

202 the resignation.

203 **Section 10.3 Reserved**

204 **Section 10.4 Reserved**

205 **Section 10.5 RGQ EC Subcommittees**

206 While there may be Subcommittees and Task Forces established by the NAESB EC, to be
207 comprised of NAESB Members and other interested parties, the Retail Gas Quadrant shall set up its own
208 Subcommittees and Task Forces to deal with Retail Gas Quadrant-specific issues. Each RGQ EC
209 Subcommittee shall report to the RGQ EC and each shall:

- 210 - elect a chair who shall be an RGQ EC Member and who shall serve until removed by the
211 RGQ Subcommittee’s membership;
- 212 - carry out its work in accordance with procedures adopted by the NAESB EC for EC
213 Subcommittees;
- 214 - provide notice of meetings and agendas;
- 215 - practice balanced voting and record voting results; and
- 216 - keep regular minutes of its proceedings and provide copies of these minutes promptly to the
217 NAESB office.

218 Any task force established by RGQ EC Subcommittees shall be open to all NAESB Members
219 and other interested parties. At NAESB joint Subcommittee or joint Task Force meetings, the same
220 individual may represent different Segments from different NAESB Quadrants, as long as that individual
221 declares prior to the joint meeting the NAESB Quadrant and Segment for which he or she is casting a
222 vote. At RGQ Subcommittee or Task Force meetings, the same individual may represent different RGQ
223 Segments, as long as that individual declares prior to the meeting the RGQ Segment for which he or she
224 is casting a vote.

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18 - AMENDMENTS

241 **Section 18.1 Amendments**

242 In order for Retail Gas Quadrant Procedures to be amended, upon petition of at least five (5)
243 RGQ Members, the Vice Chair of the EC for the RGQ shall announce an RGQ meeting. Such
244 announcement shall provide for at least a 30-day notice. In order to transact business at the RGQ
245 meeting, there shall be a quorum consisting of at least 1/3 of the RGQ Membership. Following such
246 meeting, the proposed resolution adopted at the meeting shall be sent out for comment, and the comments
247 shall be distributed to all RGQ Members in advance of a notational vote. Any RGQ Member not
248 choosing to vote shall be considered to have voted in favor of the proposed change. In order for a

249 proposed change to take effect, it must be approved by at least 2/3 of RGQ Members and 40% of each
250 RGQ Segment's Membership.

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19 – TRANSITIONAL PROCEDURES

253 **Section 19.1 Transitional Voting Threshold**

254 Each Segment may populate up to six seats on the NAESB Board or RGQ EC. Recognizing that
255 the RGQ Segments might fill their allotted seats at varying rates, a Transitional Voting Period shall be
256 established, whereby the voting threshold for RGQ representatives on the NAESB Board and on the
257 RGQ EC will be tiered into two phases. During Phase I, to end no later than December 31, 2002, the
258 Transitional Voting Threshold will be set to four, and during Phase II of the Transitional Voting Period,
259 to end no later than December 31, 2003, the Transitional Voting Threshold will be set to five. Upon
260 expiration of the Phase II of the Transitional Voting Period, no Transitional Voting Threshold will be in
261 effect and this Section shall expire.

262 **Section 19.2 Transitional Voting Multiplier**

263 Each RGQ Segment will determine the number of seats on the NAESB Board or RGQ EC it
264 intends to populate and inform the NAESB office of this number. A Transitional Voting Multiplier shall
265 be calculated for each RGQ Segment by dividing the number of populated seats in the largest RGQ
266 Segment by the greater of the number of seats populated in that RGQ Segment or the applicable
267 Transitional Voting Threshold. The following example is used to illustrate this: A given RGQ Segment
268 populates four seats during Phase I of the Transitional Voting Period, while the largest RGQ Segment in
269 this case populates six. To determine the Transitional Voting Multiplier for the smaller RGQ Segment in
270 this example, the number of seats in the largest RGQ Segment (which in this case is 6) would be divided
271 by the Phase I Transitional Voting Threshold (which is 4) to arrive at 1.5 as the Transitional Voting
272 Multiplier for the smaller RGQ Segment in this case.

273 **Section 19.3 Application**

274 When non-procedural votes are tallied at NAESB Board or EC meetings, each of the voters
275 present will have their votes weighted by the Transitional Voting Multiplier applicable to that voter’s
276 RGQ Segment. Where applicable, NAESB balanced voting rules will be applied after votes have been
277 weighted. Thus in the example given in Section 19.2, if all four representatives from the smaller RGQ
278 Segment vote, the tally of their votes would be 6.

279 **Section 19.4 Limitation on Transitional Voting Multiplier**

280 To the extent that the number of individuals identifying with a RGQ Segment at a sub-committee
281 or task force meeting is less than or equal to the number of RGQ EC seats populated, the Transitional
282 Voting Multiplier may be used to weight votes prior to the application of balanced voting rules.

283 **Section 19.5 Early Threshold Expiration**

284 Should all RGQ Segments populate the NAESB Board or the RGQ EC seats in excess of the
285 Transitional Voting Threshold prior to the expiration of Phase I of the Transitional Voting Period, Phase
286 I shall expire immediately and the Transitional Voting Threshold for Phase II shall apply. Should all
287 RGQ Segments during Phase II of the Transitional Voting Period populate the NAESB Board or the
288 RGQ EC seats in excess of the Transitional Voting Threshold, Phase II shall expire immediately, no
289 Transitional Voting Threshold will be in effect, and this Section shall expire.

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RETAIL GAS QUADRANT SUPPLIERS SEGMENT PROCEDURES

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[To be provided by the RGQ Suppliers Segment]

294 **RETAIL GAS QUADRANT DISTRIBUTORS SEGMENT PROCEDURES**

295 *[To be provided by the RGQ Distributors Segment]*

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RETAIL GAS QUADRANT END USER SEGMENTS PROCEDURES

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[To be provided by the RGQ End Users Segment]

298 **RETAIL GAS QUADRANT SERVICE PROVIDERS SEGMENT PROCEDURES**

299 *[To be provided by the RGQ Service Providers Segment]*